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SERIOUS LOSS
OF REVENUE
TO THE COUNTRY,

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Tobacco Association of Canada.

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TO THE COUNTRY

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SERIOUS LOSS.

HALF A MILLION DOLLARS LOSS OF REVENUE TO THE COUNTRY
FROM THE WANT OF EFFICIENT LAWS TO CONTROL
THE GROWTH OF HOME-GROWN TOBACCO.

In approaching this vexed question, it might be premised that, ever since the imposition of an Inland Revenue duty on tobacco, there has been a steady growth of the manufacture of illicit tobacco in the Province of Quebec, and the various augmentations of duty since imposed have but served to stimulate the illicit trade—thereby throwing the onus of taxation on the other Provinces, although, from the first inception of the law, there has always been a discrimination in favour of the Province of Quebec—the laws having been so framed that the styles of tobacco exclusively used there, *i. e.* leaf tobacco (tabac rolé and tabac en torquette*) have only had one-half the amount of tax imposed as upon other tobacco; but, in the face of this distinct favouritism, the law has become a dead letter from inherent vagueness.

As an example of the faultiness of the law, the census of 1871 shows that tobacco was grown in the Province of Quebec to the extent of nearly one million and a quarter of pounds, and for that year, as shown by the following statistics, there was only 55,000 pounds returned

* Tobacco rolled loosely and twist tobacco.

for duty ; and of course, as it became known that the business was a profitable one, the growth increased until, for the last year, it was estimated that the crop could not be less than 5,000,000 pounds, and the quantity returned, by *some conscience-stricken party*, was ten pounds—netting the immense revenue of ONE DOLLAR. From the following it will be seen how steadily the amount returned has decreased, viz :

FOR THE PROVINCE OF QUEBEC.

For 1871-72.....	55,000	pounds	returned	for	duty.
" 1872-73.....	24,000	"	"	"	"
" 1873-74.....	1,700	"	"	"	"
" 1874-75.....	10	"	"	"	"

THE EFFECT ON THE TRADE.

The effect on the manufacture of cut tobacco and tobacco trade generally, has been nothing short of disastrous.

In former years Canada did support twelve steam cut tobacco factories, and a large number of smaller ones, working by hand, besides what many concerns cut who did not make a speciality of that grade of goods ; but now, all the smaller concerns are no more, and of the larger there are only four, who eke out an existence, and are surely expiring from over-competition with an article which is currently sold at a price below the bare amount of duty.

The general trade are not now doing a tithe of the business which was once done in the Province, for the same reason ; and many of the wholesale grocers seriously contemplate abandoning the keeping of tobacco of all descriptions as a part of their stock-in-trade.

COMPARATIVE STATISTICS.

By many in authority it is broadly asserted that it is an utter impossibility that there can be anything like the

quantity grown as here stated; but a scrutiny of the following figures will convince the most sceptical that there is something seriously wrong.

The United States, with a population of forty millions, shows an Internal Revenue on tobacco of over thirty-nine millions of dollars, or nearly one dollar per capita, with a tax of 24 cents per pound; and Canada, with a population of four millions, and a tax of 20 cents per pound, should return five-sixths of the population the amount per head, of the United States.

Viz.: *		\$3,333,000
But as there are more cigars used in the United States than here, deduct one-fifth for Canada, (which would amount for the United States \$6,666,000).....	\$666,000	
Actual Canadian revenue for the year 1874-75	1,435,000	
Leaving an apparent deficiency of	1,232,000	
		\$3,333,000

Now, this deficiency denotes either that the people of Canada do not use as much tobacco by nearly one-half as those in the United States, or else that there must be some flagrant breach in the law which allows so much to escape. It may perhaps be pleaded that we have a larger district over which tobacco can be grown, but looking to the United States it will be found that there are only a very few States in the Union in which tobacco is not grown, and where the same causes do not exist as in our Canada.

Again, on referring to the able report of the Commissioner of Inland Revenue for 1874-75, page xvi, it will be

* Canada population of 4,000,000 at 5/6 of one dollar per head.

found that although Canada received an accession to her population of 100,000 by Prince Edward Island, and that the revenue was increased from 15c. for former years to 20c, the increase of revenue for the year, for 1874-75, over the average revenue for the previous four years, was only \$259,000, which difference is compensated, less \$20,000, by the rise of 5c. per lb., which seems to point conclusively to an increased growth and illicit consumption of the article, somewhere within the limits of the Dominion.

It was of necessity that these comparisons have been made, as there was no statistical statements of any kind to which reference can be had.

THE IMMEDIATE EFFECT ON THE PROVINCE OF ONTARIO.

There are other aspects from which this subject may be viewed. Tobacco, in former years, formed a considerable product in some parts of Ontario, and a large business was done in it by the farmers along the Lake Erie shore, but that, too, had to succumb to undue competition.

The principal market for it being the Province of Quebec, the increase and low price of the crooked article has nearly exterminated that also, and all who held stocks of it have been only too glad to get rid of it at the least possible loss.

To show to what extent that business has declined, the following statistics are brought to your notice:—

For 1871-72 there was returned for duty	245,000 lbs.
" 1872-73 " " " " "	135,000 "
" 1873-74 " " " " "	137,000 "
" 1874-75 " " " " "	23,000 "

Showing a falling off in four years of over 90 per cent. This business in former times was a profitable one to all concerned, and it is doubtful that there could be purchased in all that District to-day 10,000 lbs. of tobacco

which was grown in 1876, so great has been the falling off.

HOW THE QUEBEC FARMER IS AFFECTED.

On the other hand, it might be naturally supposed that the Lower Canadian farmer would be a gainer where so much income is lost, but it would not be hard to show that the profit lies not with him. He brings it to market, and the very fact of it being contraband, compels him to accept a price which does not remunerate him, and in many cases he is compelled to take the proceeds in inferior goods at an exorbitant figure to effect a sale. This year in particular may be instanced as showing that view of it in the extreme. The last few years, the crooked tobacco business has shown a profit, and many more have launched into the growing, and now so much of a drug has it become, that large quantities can be purchased, manufactured, *i. e.*, cut, from seven to fifteen cents per lb., in face of a duty of twenty cents.

Now, were the growth of the article placed on a proper basis, the grower could put his product in the market and get a fair value in cash for it, as the difference in duty (if used in roll, twist, or leaf is only 10 cents) would procure him a fair remuneration for his tobacco, instead of, as at present, having to dodge from store to store and accept any offer he can get for it.

THE PROPOSED REMEDY.

It might not be irrevelant at this point to state the form in which the law stands at present, and that is that all tobacco grown in the country shall, upon its being sold, be returned for warehouse ; which appears not amiss on the face ; but a farmer may grow and hold for an indefinite period any quantity he may raise, sell it where and to whom he will, and still be under no obligation to inform the Department of the transaction. That is where the

trouble arises, and to carry out the law as it now stands would require an enormous staff of officials, whose salary would effectually account for any revenue which might be derived therefrom.

There remains, however, one proposition which gives every facility to the farmer, and would also gives protection to the revenue, and consequently to the honest trader, and that is, that the farmer or any party wishing to grow tobacco, should be compelled, under penalty, to request a license to grow it, and that every license-holder should make a sworn return, at some specified term, of the amount grown under his license to the Inspector appointed to visit him.

It might be contended that this would be an infringement upon the freedom of the farmer; but it would bear no worse on him than on other parties who wish to trade in any goods which are taken cognisance of by the Inland Revenue Department.

As the law stands at present, no one may retail duty-paid leaf tobacco without a license from the Department, which license is obtainable for the asking: and should such an arrangement be enforced in this case, there would not be a pound grown but would come under the supervision of the Department, and so could be controlled; and if it is desired to allow the grower to raise what tobacco he requires for his personal use, provision can be made for that, allowing each fifty pounds, which is all any man can use.

Should this suggestion become law, an increase of the revenue will surely follow, amounting to not less than half a million dollars, besides placing the burden of government equally on all shoulders.

The law, as originally framed, was intended to discriminate in favour of the consumer of Canadian tobacco as against the consumer of the foreign article; but as it

is enforced at the present time it will be seen, from the foregoing facts and figures, that it merely amounts to a bonus to the Province of Quebec of half a million dollars, and a direct burden to the other provinces. This question is not a new one, as it has been agitated for years, and many appeals have been made to the various governments without obtaining redress, but it has now obtained such proportions as to become a matter of extinction to some branches of the trade, although affecting the whole to an alarming extent.

And should this appeal be found impracticable, justice would demand that all be placed on an equal footing by abolishing the law concerning Canadian tobacco, and make it free.

We, therefore, as an association, make our most urgent appeal for justice.

T. R. MARSHALL, *President*.

J. L. ADAMS, *Vice-President*.

A. D. PORCHERON, *Secretary*.

P. DUPUIS, *Treasurer*.

Extract from the report of the Special Committee on depression of trade.

TOBACCO.

THURSDAY, April 6th, 1876.

Mr. DAVID H. FERGUSON called and examined :

By Mr. Workman :—

1. You are in the tobacco business?—Yes.
2. Will you state to the Committee any grievance you may conceive you have in regard to the present condition of the revenue laws respecting tobacco?—About two years ago we were doing a fair business in cut tobacco in Montreal. Since then there has been a large increase in

Lower Canada grown tobacco, a large amount of which goes into general consumption without paying duty. In 1871, according to the census returns one million and a quarter pounds of tobacco were grown in Lower Canada. Of that quantity there may have been a considerable portion returned for duty. I am not prepared to say how much was returned. For the fiscal year 1872 there was returned for duty in Quebec 55,000 pounds, on which a duty of seven cents per pound was paid. In 1873 the returns decreased to 24,000 pounds, while the quantity grown was steadily increasing. In 1874 the quantity returned was 1,700 pounds. In 1875 the magnificent quantity of ten pounds was returned, which entitled the Government to a revenue of one dollar.

3. What is the estimated gross production of tobacco in Lower Canada?—As far as can be ascertained it is between four and five million pounds for the past year.

4. And duty has been paid on ten pounds?—Yes; the amount seized has never been one-fourth or one-fifth of one per cent. of the gross growth. All this tobacco comes into competition with the imported tobacco which, since 1st April, 1874, has paid a duty of twenty cents per pound. In the cities the principal people who handle it are small grocers.

By Mr. Dymond :—

5. What is the duty?—On Canadian leaf tobacco ten cents per pound excise duty.

6. You complain that the excise officers don't do their duty in collecting the revenue?—That is part of our complaint. Another part is, that if they wished to do their duty, the law is not in such a shape as to enable them to perform it.

By the Chairman :—

7. Have you brought this before the Minister of Inland

Revenue?—I have informally. I was introduced to Mr. Geoffrion and I mentioned it to him. He asked me to put it on paper. I did so and sent it to him. When I met him two months afterwards he said he had not had time to do anything in it, and that he could not do anything at that time because they were on the eve of the Quebec elections.

8. That is some time ago? —Last May or June. I think it was just after the Session that I saw Mr. Geoffrion in Montreal.

9. You don't know whether the matter has been formally brought before the Department or not? —I also, when in Ottawa, called upon Commissioner Brunel, and mentioned it to him; he knew of it.

13. Is there not a large quantity of the leaf tobacco of Lower Canada consumed by those who raise it? —Yes.

14. Under the law are they required to pay duty on such tobacco? —I think not.

15. No duty is paid unless it passes from one party to another? —There are many farmers in Quebec who are growing acres of tobacco; each acre will contain about 1,250 pounds. I don't think any family will consume two acres of tobacco in one year. I may mention that I believe a firm in Montreal was offered through another party (for the sake of a blind) a weekly supply during the winter of 150 barrels, of 75 pounds each, of Lower Canada cut tobacco, each barrel representing a duty of \$15.

By Mr. Workman :—

In 1872 the tobacco returned to warehouse in Upper Canada was 246,000 lbs.; in 1873, 135,000 lbs.; in 1874, 137,000 lbs., and this last year only 23,000 lbs.

By Mr. Platt :—

17. What is the reason of that reduction? —The growth of large quantities of tobacco in Lower Canada, which is

the principal market for Upper Canada tobacco. The fact that Upper Canada tobacco pays duty had completely closed the sale of the Upper Canada product.

By the Chairman :—

18-19. How does the Lower Canada tobacco compare with the Upper Canada grown in Essex and other counties? —There is no comparison whatever.

By Mr. Dymond :—

20. What you want is to have the law rigidly enforced in regard to the growers of tobacco in Lower Canada?—There is a defect in the law which prevents officers, even if they wish, from doing their duty.

21. What is the defect in the law? —The defect in the law is, that a farmer may grow tobacco and keep it in his barn without paying duty, so long as he does not sell it nor remove it from his place. An excise officer may visit the farm where 500, 1,000 or 1,500 lbs. of tobacco are stored in the barn. He requires the farmer to have it warehoused; the farmer says he is not ready yet, and the officer goes away, and when he returns in a month or so the tobacco is no longer there. There is no remedy against the farmer. I would suggest that as by an Order in Council dealers have to take out a license, growers should be put on the same footing, and be compelled to make a return at the end of the year on the quantity grown.

22. Do you know any case, except tobacco, where the grower of a product is taxed? —We don't wish to tax the grower of the tobacco. We wish to tax the consumer, not the farmer.

23. From whom is the tax to be collected? —From the party who takes the tobacco from warehouse for consumption, not from the farmer.

24. Do you know of any instance where a tax is imposed upon what may be termed an agricultural

product in this country? —The only instance I know of is tobacco.

By the Chairman :—

29. Is there not an excise duty on tobacco manufretured from the home grown article? —For cut it is 20 cents per lb., and if it is put up in roll or twist it is 10 cents per lb.

By Mr. Dymond :—

31. The cultivation of tobacco has increased very much lately? —Yes.

32. Any imposition of duty would restrict its growth: it would be all the same whether you got the revenue from home grown or foreign tobacco? —Yes; but it is not obtained from the home grown article. The duty has been imposed, but is not collected.

By the Chairman :—

33. You are asking that the collection of the tax now existing shall be enforced? —Yes; either that, or that the tax on Canadian leaf tobacco shall be abolished, so as to place us all in the same position.

34. What would be the effect of abolishing the duty on home grown tobacco? —Pretty much the abolition of the revenue from tobacco.

35. There would not be much imported? —There would still be some, because some people would wish to have a good tobacco; but the greater portion of the manufactured article would be made from home grown tobacco, which would pay no duty.

36. Then tobacco is treated as a luxury, and taxed accordingly? —Yes.

By Mr. Delorme :—

37. Is there a great difference between Upper Canada and imported tobacco? —The imported tobacco is better.

38. But is there not such a similarity between them that a dealer in tobacco may cheat the Inland Revenue Officer with respect to them?—Yes; only men who are engaged in the manufacture or the handling of tobacco would be competent judges of the goods.

THURSDAY, April 6th, 1876.

Mr. THOMAS R. MARSHALL called and examined:—

By Mr. Workman:—

1. You are engaged in the manufacture of tobacco?—Yes.

4. Has your business been less prosperous of late?—So far as regards imported cut tobaccos, in low grades, it has diminished to nothing, for the reason that we cannot compete against those who sell tobacco which has paid no duty.

5. What duty do you pay on imported leaf tobacco?—Imported leaf goes into the manufactory free of duty; it pays a duty of 20 cents when it goes into consumption.

6. What duty does it pay when manufactured?—20 cents if made into smoking tobacco, and 40 cents if made into cigars.

By Mr. Workman:

17. Do you suffer in any way from Lower Canada home grown tobacco?—Yes.

18. It affects your business?—We have sold no cut tobacco lately. We formerly manufactured imported cut tobacco, but we gave up the business.

By Mr. Platt:—

19. Was it because the Lower Canada tobacco did not pay duty?—Yes. The cost of manufacturing cut is one

cent per pound ; of plug, five or six cents per pound ; so all the common grades are made into cut, and they do not pay a duty.

20. You wish the present law regarding Lower Canada tobacco to be carried into effect?—Yes.

21. It would be desirable in the interest of your trade ?
—Yes ; at present we are unable to sell domestic tobacco manufactured from imported leaf, and the farmers are doing the trade.

By Mr. Delorme :—

22. Are you satisfied with the duty of 10 cents per pound on Canadian leaf?—Yes.

By the Chairman :—

23. Suppose the farmer gives his leaf tobacco to another, what then ?—He is only allowed to grow it for his own use free of duty.

24. So that whether he sells it manufactured or un-manufactured, he would have to pay an excise duty?—Yes ; if he manufactured it, of 20 cents, and if he sells it in the leaf, of 10 cents.